STATUS OF CLAIMS

Claims 31-36 are pending.

Claims 31-36 stand rejected.

Claims 31 and 34 are amended herein, without prejudice or disclaimer.

REMARKS

Reconciderat ion of this application is respectfully requested.

Claim Amendments

Claim 31 has been amended to recite that the process is performed by a system, and to clarify certain process steps. Claim 34 has similarly been amended to recite that the process is performed by a system, and to correct a typographical error. Disclosure support for the performance of the steps by the system is found, for example, in original claims 16-24.

Response to Arguments

The Response to Arguments section of the Office Action states that Applicant's arguments filed November 8, 2007 with respect to claims 31-36 have been considered but are moot in view of the new grounds of rejection. It appears that Applicant's arguments filed July 28, 2008, have not been considered.

The Examiner is respectfully requested to consider Applicant's arguments filed July 28, 2008, as well as the arguments submitted herewith.

35 U.S.C. 103(a) Rejections

Claims 31-34 stand rejected under 35 U.S.C. §103(a), as being unpatentable over Koppes et al. (U.S. Patent No. 5,926,792) in view of Champion (U.S. Patent No. 5,126,936) further in view of Parsons (U.S. Patent No. 6,411,939), and still further in view of Sperandeo (U.S. Patent No. 6,922,677). This rejection is respectfully traversed, on the grounds that the Examiner has failed to provide a proper prima facie

case of obviousness. The combination proposed by the Examiner both fails to teach each of the features of at least amended independent claims 31 and 34, and the Examiner further fails to provide a teaching, suggestion or motivation in the art to combine the references, or to set forth articulated reasoning with some rational underpinning to support the legal conclusion of obviousness.

The method recited in claim 31, as amended, resolves a problem associated with the mixing of investment and insurance accounting systems. (See paragraph [0009]). Depending on investment performance, in prior art systems, the net asset value per insurance unit of different policyholders differs depending on the date of the policyholder's investment (Paragraph [0041]). This discrepancy arises as a result of reducing the net asset value per insurance unit by a performance fee selectively depending on investment performance.

The problem is illustrated in Paragraph [0044] of Publication No. 20020040307, the publication of the present application, as follows:

> FIG. 8 illustrates the investment growth of a second policyholder that begins investing in the third year of the investment program. In this case, the premium of the second policyholder, which is similar to that shown in FIGS. 6 and 7 is valued using an initial NAV of 9.09 per unit, i.e., final NAV at the conclusion of the second year. With the same gains in investment performance, which are subjected to performance fees, 0.3149, 0.2735 and 0.8474, in years 3, 4 and 5, respectively, as shown in column 835, the final NAV at the conclusion of the fifth year is determined as 13.37 per unit, as shown in column 838. In comparison, the final NAV of the first policyholder, at the conclusion of the fifth year is 13.82 per unit, as is shown in column 638 of FIG. 6. Hence, in accordance with conventional accounting method, NAV of respective policyholders is different depending upon the policyholder's entry into the program and the performance return of the investment instrument.

As illustrated in Fig. 9, and described in Paragraph [0045], an exemplary advantage of the determination of the net asset value of the insurance units independent of the performance fee, in accordance with the method of claim 31, is that the net asset values of the insurance units are the same for policyholders investing at different times. The specification states:

> [0045] FIG. 9 depicts, similar to FIG. 8, the entry of a second policyholder at the conclusion of the second year of the program using the method of the present invention. In this case, the premium of the second policyholder is valued at a final NAV of 9.43 per unit as shown in column 938. Furthermore, independent of the investment instrument performance gains over the illustrated third, fourth and fifth years, the final NAV for each of these years, as shown in column 938, is substantially similar to a corresponding final NAV of the first policyholder, as shown in column 738 of FIG. 7. Accordingly, the method of tracking and reconciling insurance policy value in accordance with the principles of the present invention provides a normalized reference of NAV for determining unit value. This is advantageous as it provides a single accounting method for tracking and reconciling a plurality of insurance policies that are invested in the same investment instruments rather than an essentially separate accounting system for each of a plurality of insurance policies in order to account for different investment beginning periods.

The recited calculation of the net asset value *independent of* the performance fee achieves the advantage of providing a single accounting method for tracking and reconciling a plurality of insurance policies that are invested in the same investment instruments. The Koppes, Champion, Parsons and Sperandeo references, either alone or in combination, fail to teach the limitations of claim 31, or even indicate an appreciation of the problem solved by the method of claim 31.

Turning to the rejection of claim 31, the Examiner states that Koppes teaches translating targeted funds into unit values on a daily basis for each fund. The Examiner states that Koppes tracks restrictions on a premium by premium basis and tracks the book value, market value, duration and targeted return on a client-by-client basis. The Examiner states that Koppes further discloses the periodic determining of a net asset value of said insurance units at a known time based on a performance return of each of said investment instruments, citing col. 5, lines 111, 39, 53, and Fig. 2A. The Examiner states that Koppes teaches imposing of administrative fees for each premium paid, referencing col. 4, lines 66-67, the charging of performance fees on asset performance, referencing col. 1, line 57, and the determining of net asset values for each investment instrument and the adjusting of the current number of insurance units at a selected date, referencing col. 5, lines 39 and 53.

The Examiner concedes that Koppes does not disclose the imposing of one time administrative fees deducted from premiums as they are paid in prior to investment, or the charging of a performance fee as recited.

The Examiner takes the position that Parsons discloses the charging of administrative fees assessed to investor participants prior and being deducted prior to the investment of funds.

The Examiner further takes the position that Champion discloses the charging of performance fees contingent on financial asset value performance over set periods of time, referencing col. 11, lines 26-27.

The Examiner states that Sperandeo discloses performance fees on a percentage basis based on a hurdle rate.

The Examiner states that it would be obvious to an ordinary practitioner that such a hurdle rate could be zero or better. The Examiner further states that it would have been obvious to the ordinary practitioner that no performance fee would be paid if the performance was at zero or negative. The Examiner further states that it would have been obvious common sense that the net asset value of said insurance units is determined independent of said performance fee since the net asset value needed to determine a performance fee would have to be calculated prior to the determination of a performance fee, thus being an independent calculation from the performance fee.

Applicant traverses on the grounds that the prior art of record fails to teach or render obvious at least:

> determining by the processor a net asset value of said insurance units at periodic intervals based on a change in value of each of said investment instruments; and
>
> adjusting by the processor, at a selected date, said current number of said insurance units by a number of insurance units corresponding to the change in value of each of said investment instruments, the change in value being based on investment data stored in the memory, reduced by a corresponding performance fee, wherein said performance fee is determined by the processor to be a percentage of said change in value of each of said investment instruments if said change in value is positive, and wherein said performance fee is determined by the processor to be zero if said change in value is negative, and wherein said net asset value

of said insurance units is determined independent of said performance fee.

None of the references, either alone or in combination, contemplates determining the net asset value of insurance units independent of a performance fee, and separately adjusting a number of insurance units to account for a performance fee which is a percentage of the change in value of each of the investment instruments if the change in value is positive.

The Examiner's characterization of the prior art is not only incorrect, but constitutes clear error on numerous points.

The Examiner's contention that Koppes teaches the charging of performance fees on asset performance, with a citation to col. 1, line 57, is clear error. Koppes teaches "a fund which tracks the Standard & Poor's 500 average minus a fixed percentage, etc." at col. 1, line 57. The calculation of the index which the asset value tracks is not related to the determination of performance fees. The Examiner is reminded that the underlying funds in Koppes are hypothetical, and that assets held by a plan sponsor are not necessarily invested in the index that the net asset value tracks. (See Koppes, col. 2, lines 4-17). Thus, neither the plan sponsor, nor any management or other entity, collects a fee equal to the fixed percentage between the index and the net asset value, as the Examiner apparently contends. Moreover, the recited performance fee is based on a percentage of change in value if the change is positive, and thus is not even met by a fixed percentage difference from a stock index. The apparent assertion by the Examiner that any deviation downward from an index represents a performance fee is clearly incorrect, and establishes that the Examiner's equating of the cited portion of Koppes with a performance fee is clear error.

The Examiner's assertion that Koppes teaches the determining of net asset values for each investment instrument and the adjusting of the current number of insurance units at a selected date, referencing col. 5, lines 39 and 53, is clear error. The cited section of the summary translates targeted returns into unit values for each fund (col. 5, lines 38-40); this operation has nothing to do with adjusting the number of

insurance units held in an individual account. In Koppes, the number of policy units held by the policy owner is adjusted to pay for monthly costs of insurance fees and administration fees (col. 14, lines 21-37). The system of Koppes separately determines an equivalent dollar amount of investment units (col. 14, lines 30-32). The policy units and investment units of Koppes have separate values.

The Examiner's assertion that Champion discloses the charging of performance fees contingent on financial asset value performance over set periods of time, referencing col. 11, lines 26-27, represents clear error. The cited portion of Champion provides three examples of the basis for fees: contingent on net asset value for set period, extent of participation in the various assets or the number of transactions for a given period. None of these represents a performance fee determined as a percentage of change in value of each of certain investment instruments if the change in value is positive as recited in claim 31. Charges based on a percentage of net asset value are known, and are described in detail, for example, in Koppes, at col. 13, lines 10-22, where various fees are a certain number of basis points per year divided by 365 multiplied by the investment value of the prior day. Thus, the fee contingent on net asset value is clearly not a performance fee as recited in claim 31. It is self-evident that a fee based on extent of participation in the various assets is not a performance fee as recited in claim 31, nor is a fee based on a number of transactions.

The Examiner's argument that it would have been "obvious common sense that the net asset value of said insurance units is determined independent of said performance fee since the net asset value needed to determine a performance fee would have to be calculated prior to the determination of a performance fee, thus being an independent calculation from the performance fee" applies an incorrect legal standard and misinterprets the language of claim 31. The standard for obviousness is not "obvious common sense." In order to provide a basis for a prima facie obviousness rejection, the Examiner must point to a teaching, suggestion or motivation in the art to combine the references, or a set forth articulated reasoning with some rational underpinning to support the legal conclusion of obviousness. See MPEP 2142. The mere assertion that a conclusion is "obvious common sense" fails to satisfy the

teaching, suggestion or motivation test, and does not represent articulated reasoning with a rational underpinning.

Furthermore, the Examiner's apparent assertion that the limitation "wherein said net asset value of said insurance units is determined independent of said performance fee" can be interpreted to mean that a net asset value is first determined independent of the performance fee, and then determined based on the performance fee, completely ignores the limitation. Under the Examiner's interpretation, the limitation "independent of the performance fee" would apparently read on a calculation so long as at least one step in the calculation did *not* employ the performance fee. This interpretation of the claim language is simply incorrect and represents clear error.

Furthermore, the Examiner's asserted motivations, namely "a desire to provide methods and systems capable of tracking and reporting assets and liabilities on a near real-time basis, making administration simple, keeping costs low, and providing timely information to plan participants and sponsors" appears to be a mere laundry list of desirable results, with no articulated connection to the claim limitations, and no explanation as to how one of ordinary skill in the art, so motivated, would combine the references to obtain the limitations of claim 31.

None of the references cited hints at an appreciation of the problem addressed by the method of claim 31, i.e., differing net asset values of insurance units depending on time of investment, nor at a method including the step of calculation of net asset values of insurance units independent of a performance fee to overcome the problem. Accordingly, even a combination of the cited references would fail to teach the limitations of amended claim 31.

For at least the foregoing reasons, the rejection of amended claim 31 should be withdrawn.

Claims 32 and 33 depend from allowable base claim 31, and are allowable at least by virtue of their dependence from an allowable base claim.

The rejection of claim 34 is respectfully traversed for at least the reason that the Examiner has failed to provide a proper prima facie case of obviousness. No combination of Koppes, Champion, Parsons and Sperandeo, discloses the recited steps of:

> (a) calculating by the processor a gross net asset value of an insurance unit based on gross investment performance based on investment data stored in the memory;
>
> (b) deducting by the processor an investment expense from the gross net asset value to obtain a final net asset value of the insurance unit;
>
> (c) calculating by the processor a cost of insurance;
>
> (d) calculating by the processor a number of insurance units for the cost of insurance charge;
>
> (e) calculating by the processor an investment gain or loss by subtracting the cost of insurance charge from gross investment earnings; and if the investment gain is positive then calculating by the processor an incurred performance fee; otherwise setting the performance fee to zero.

The method of claim 34 addresses a problem appreciated by the inventors and described in the specification, at Paragraph [0009] of the publication of the present application, as follows:

> With the current mixing of investment and insurance accounting systems there are problems in determining the policy value when a yearly investment return is positive, however, long-term investment continues to support a negative investment return. For example, in a single year an investment may increase in value, which incurs management and performance fees, however, the aggregate value of the insurance policy may have a negative growth. Hence the value of the policy is further decreased by the deduction of management and performance fees, even though the policy value has been reduced. Thus, the accounting of the policy value can be adversely effected by the use of mixed accounting systems for management fees and insurance fees.

In the method as recited in claim 34, in step (e), the investment gain or loss is calculated by subtracting the cost of insurance charge from gross investment earnings, and then calculating a performance fee only if a positive investment gain is determined.

This method overcomes the problem of reducing the value of the policy if the gross investment return is positive, but cost of insurance charges cause the policy value to decrease.

None of the references recites calculating a performance fee based on investment gain after including cost of insurances charges. For that reason alone, there is no proper prima facie case of obviousness. Furthermore, the Examiner has failed to propose a combination of references, either based on a teaching, suggestion or motivation in the art, or articulated reasoning with some rational underpinning, that would support a legal conclusion of obviousness.

As with claim 31, the rejection of claim 34 has numerous instances of clear error.

The Examiner asserts that Koppes teaches the step of "calculating an investment gain or loss by subtracting the cost of insurance charge from gross investment earning," referencing col. 5, lines 12-32. This characterization of Koppes is clear error. The cited portion of Koppes relates to calculation of liabilities and to calculation of a number of fund units that can be purchased. There is no reference whatever to investment earning or to cost of insurance charges in the cited portion of Koppes.

Koppes does discuss cost of insurance charges at col. 14, lines 21-37, but does not calculate investment gain or loss by subtracting a cost of insurance charge from gross investment earning.

The Examiner further asserts that Koppes "netting out the cost of insurance (liabilities) from the gross and net assets," citing col. 5, lines 1-54. It is not clear why the word "liabilities" appears in the Office Action in parentheses after the phrase "cost of insurance." If the Examiner is taking the position that cost of insurance and liabilities are synonymous, this is clear error. The liabilities are, in general terms, the obligations of the plan sponsor to plan participants as a result of the investments, and are generally described in column 2 of Koppes. Cost of insurance is a fee for providing insurance, generally in the form of a death benefit. These two concepts are entirely different. It is accordingly clear error for the Examiner to interpret "liabilities" as synonymous with "cost of insurance."

The Examiner then states, without providing a teaching, suggestion or motivation, or articulated reasoning with some rational underpinning to support the legal conclusion of obviousness, that it would have obvious to an ordinary practitioner of the art at the time of Applicant's invention to have deduced from the Koppes teaching the method for determining a life insurance policy value comprising the steps of: (a) calculating the gross net asset value; (b) deducting an investment expense; (c) calculating a cost of insurance; (d) calculating a number of units for the cost of insurance charge; (e) calculating an investment gain or loss; and if the investment gain is positive then calculate an incurred performance fee otherwise set the performance fee to a fixed value. This conclusory statement is not sufficient to provide a prima facie case of obviousness. Furthermore, the Examiner is not applying the correct standard by stating that it would be obvious for one of ordinary skill to deduce the claimed invention.

Furthermore, the above statement implies that only Koppes is being asserted, thus rendering it unclear whether and for what teaching or motivation the Examiner relies on the Champion, Parsons and Sperandeo references.

The Examiner's asserted motivation, as with the rejection of claim 31 above, is a mere laundry list of desirable objectives, with no articulated reasoning as to why one of ordinary skill in the art, motivated by one or more of the desirable objectives, would find it obvious to modify the references to obtain the claimed invention.

For all of the above reasons, withdrawal of the rejection of claim 34 is respectfully requested. If the Examiner does not withdraw the rejection, a new non-final action clearly articulating the grounds of rejection and the teaching or motivation for which each reference is cited is respectfully requested.

Claims 35 and 36 depend ultimately from allowable base claim 34, and the rejections of these claims should be withdrawn at least by reason of their dependence from an allowable base claim. In addition, the cited references fail to disclose, alone or in combination, the limitations of claims 35 and 36.

Claim 35 particularly recites that a surrender charge is set equal to the incurred performance fee. The Examiner states that Lloyd discloses setting surrender charges.

The Examiner then states that it would have been obvious to the ordinary practitioner to set a surrender charge equal to the incurred performance fee since this would merely constitute collecting what has been earned up to the point of surrender. Nothing in Lloyd or any of the other references teaches setting a surrender charge equal to a performance fee based on investment performance. Only with the benefit of hindsight improperly gleaned from examination of the present application would one of ordinary skill in the art seek to set a surrender charge equal to an incurred performance fee. For at least this additional reason, the rejection of claim 35 should be withdrawn.

Claim 36, which depends from claim 35, recites that on a policy anniversary, insurance units are reduced in the amount of the incurred performance fees, and the surrender charges are reset to zero. Claim 36 provides for simpler accounting by holding the performance fee as a surrender charge; if the policy is not surrendered until the anniversary, then the number of insurance units is reduced. Claim 36 has the advantages of the method of claim 31, as the performance fee does not affect the net asset value of the insurance units. The Examiner states that an ordinary practitioner "would have seen it as obvious that such an option is equivalent to charging a performance fee and thus would have been an equivalent option if within the terms of the insurance contract. Said another way, since the performance fee has already been deducted from the assets at each anniversary there is no performance fee remaining to be charged." As the prior art fails to teach either setting a performance fee in the amount of a surrender charge, or zeroing out a surrender charge set as the amount of a performance fee annually by reducing the number of insurance units, the recited steps are not an equivalent option to charging a performance fee.

The Examiner states that it would have been obvious to an ordinary practitioner of the art at the time of Applicant's invention to have combined the disclosures of Koppes, Champion, Parsons, Sperandeo and Lloyd and what the practitioner would have seen as obvious for the purpose of determining a life insurance policy value, motivated by a desire to provide methods and systems capable of tracking and reporting assets and liabilities on a near real-time basis, making administration simple, keeping costs low, and providing timely information to plan participants and sponsors.

This statement fails to provide proper grounds for a prima facie case of obviousness on several grounds. The Examiner has not stated how Champion and Sperandeo are applicable to claims 35 and 36, other than generally referring to the rejection of claim 31. The subject matter that constitutes "what the practitioner would have seen as obvious for the purpose of determining a life insurance policy value" is not prior art, and cannot constitute prior art for purposes of supporting the Examiner's position. As noted above, the asserted motivations are merely a laundry list of desirable results, with no articulated connection to the claim limitations, and no explanation as to how one of ordinary skill in the art, so motivated, would combine the references to obtain the limitations of claims 35 and 36.

For all of the above reasons, withdrawal of the rejection of claims 35 and 36 is respectfully requested. If the Examiner does not withdraw the rejections, a new non-final action clearly articulating the grounds of rejection and the teaching or motivation for which each reference is cited is respectfully requested.

CONCLUSION

Applicant believes he has addressed all outstanding grounds raised in the outstanding Office action, and respectfully submits the present case is in condition for allowance, early notification of which is earnestly solicited.

Should there be any questions or outstanding matters, the Examiner is cordially invited and requested to contact Applicant's undersigned attorney at his number listed below.

Respectfully submitted,

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Robert E. Rosenthal
Reg. No. 33,450

Howard IP Law Group, P.C.
P.O. Box 226
Fort Washington, PA 19034
Tel: (215) 542-5824
Fax: (215) 542-5825